Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.)

Management's discussion and analysis for the quarter ended March 31, 2022

Effective date of MD&A – May 30, 2022

Forward-looking statements

Certain statements in the MD&A, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These risks and uncertainties can include, without limitation, statements concerning possible or assumed future results of operations of the Company preceded by, followed by or that include words and phrases such as "will," "believes," "plans," "intends," "expects," "anticipates," "estimates" or similar expressions. Forward-looking statements are not a guarantee of future performance. They involve risks, uncertainties and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company's actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made, and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict which factors will arise or when. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

Business Description:

The Company operates in three business segments:

(1) Wireless through Am-Call Wireless Inc. (Am-Call), a wholly owned subsidiary.
(2) Micro finance through Adwell Financial Services Inc. (Adwell), a 70% owned subsidiary.
(3) Digital health through Advent TeleMedicare Ltd. (ATMC), a wholly owned subsidiary.

(1) Wireless business

Products: wireless voice and data, high speed internet, digital cable television, home phone, Smart Home Monitoring and Rogers Bank MasterCard.

Number of stores as at March 31, 2022 – four stores (two Rogers & two Fido, all in Ontario)
Number of stores as at March 31, 2021 – four stores (two Rogers & two Fido, all in Ontario)

Economic dependence

For the three months ended March 31, 2022, approximately 96% (2021 - 96%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 4% (2021 - 4%) was generated through the Company's four retail stores in Ontario (2021 - four stores in Ontario) on the wireless side and Adwell Financial Services Inc. ("Adwell") on the financing side.

Account Receivable from Rogers - 81% at March 31, 2022 (84% at March 31, 2021).

(2) Micro finance business

In late 2015, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver Area of British Columbia. This new subsidiary, Adwell, was incorporated on January 8, 2016 and commenced operations in Q1 2016. Adwell issued 1,000,000 shares at $0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%). The two minority shareholders, both with financial and lending experience, assisted in the start-up and assist in the continuing operations of the venture.

The Company has committed to investing up to $3,375,000 in Adwell, of which $375,000 is for ongoing operations and the remaining $3,000,000, in the form of a line of credit, is for advances to customers.

At the time of this MD&A, the Company had invested $2,200,000 in Adwell, of which $350,000 was funding for the ongoing operations of Adwell, while $1,850,000 was funding for Adwell's advances to customers.

(3) Digital health business

On June 12, 2020, the Company issued a press release announcing that it has entered into a commercial agreement with Dynosense Corp. ("Dynosense"), a

California-based company, pursuant to which the Company, through a wholly owned Hong Kong subsidiary, will sell and distribute Dynosense health products and services (defined and further described below) in Hong Kong and Macau (the Territory) under a licence granted to it by DynoSense. Under the terms of the Commercial Agreement, the Company paid CAD$1,000,000 to DynoSense on June 30, 2020, half of which constitutes the advance payment for Dynosense inventory. The initial term of the Commercial Agreement is five years, and may be renewed for an additional five 1-year terms thereafter, subject to certain revenue targets being met at the time of each renewal.

DynoSense has created digital therapeutics which smartly apply clinical data technologies to modify behavior and improve health outcomes for its users. The Products and Services licenced to the Company and the HK Subsidiary are comprised of handheld health scanners which are wirelessly connected with cloud- based artificial intelligence via user-friendly and channel-customized software and mobile applications, which in turn are supported by personalized, care-centric services. The devices monitor certain vital signs and health conditions of the user (e.g., heart rate, blood pressure, blood oxygen saturation levels, respiratory lung analysis, body temperature and body composition) and send the information via the Cloud to the user's medical care professionals who are then able to read and interpret the user's medical information, and from that provide advice and guidance to the user with respect to their medical condition at any given time. The Products and Services licenced to the Company and the HK Subsidiary include the products and technology described above as well as related IT support services.

It is a term of the Commercial Agreement that in the event the business is successful in the Territory, as reasonably determined by DynoSense, then DynoSense may grant the Company a priority over establishing a separate, but similar, arrangement in Canada for the purpose of conducting a business similar to the business in Hong Kong.

The TSX Venture Exchange accepted the Commercial Agreement on June 26, 2020. Pursuant to the agreement, CAD$1,000,000 was released to Dynosense on June 30, 2020 and the Company’s new digital health business (ATMC) commenced operations in Hong Kong in the second half of 2020.

<u>Covid-19 pandemic</u>

The Covid-19 pandemic, declared by the WHO in March 2020, has shown little sign of going away and continues to significantly impact the Canadian and global economies throughout 2021 and into 2022, as governments worldwide keep enacting various measures to combat the spread of this virus since it outbreak in the first quarter of 2020.

These measures include the implementation of travel bans, self-imposed quarantine periods, shut down of retail stores and restaurants, a total ban on business meetings, conferences and trade shows and social distancing, all of which have caused material disruption to businesses globally, resulting in an economic downturn throughout 2020 and 2021.

After briefly lifting certain public health restrictions in early 2021, several Canadian provinces, including Ontario and British Columbia, declared a third wave of the Covid-19 pandemic in March and re-implemented those restrictions. In August 2021, Canada entered a fourth wave of Covid-19 and many provinces implemented proof of vaccination requirements to access non-essential businesses and services.

Late in the third quarter of 2021, provinces began relaxing certain of these public health restrictions as vaccines became more widely available and vaccination rates increased across the country. However, the arrival of the Omicron variant in late 2021 re-accelerated the spread of Covid-19 and prompted provinces to reintroduce various restrictions again.

At the time of this MD&A, many of these restrictions have been lifted as vaccination rates remain high and hospitalization rates low. However, with the discovery of yet another new variant, the future evolvement and impact of Covid-19 is still unknown and it is therefore not possible to predict the overall impact on the Company's operations and financial results in the remainder of the year.

<u>Overall performance</u>

	Q1 2022	Q1 2021	+/-	%
Wireless revenue	749,622	860,692	-111,070	-13%
Financing revenue (including other revenue)	143,278	131,443	11,835	9%
Digital Health revenue	2,388	2,285	103	5%
Total revenue (excluding investment income and gain(loss) on sale of assets)	895,288	994,420	-99,132	-10%

First quarter combined revenue decreased by $99,132 or 10% compared to the same quarter last year. This was comprised of a decrease in wireless revenue of $111,070 (13%), an increase in financing revenue of $11,835 (9%), and an increase in digital health revenue of $103 (5%).

For a third year, the Covid-19 pandemic continued to disrupt the Canadian economy. The arrival of the Omicron variant in late 2021 re-accelerated the spread of Covid-19 and prompted provinces to reintroduce various restrictions again in November 2021 and into January 2022. Although the Company's four stores remained open during this period of time, mall traffic was still down as Canadians were largely heeding the Government's advice to stay at and work from home as much as possible.

With the number of Covid-19 cases trended down and vaccination rate going up, restrictions were gradually lifted in the second half of the quarter.

Amid this difficult business environment, wireless revenue decreased by $111,070 or 13% over Q1 2021. This decrease was mainly caused by a decrease in phone hardware sales brought on by the decrease in the number of customer upgrade transactions.

On the financing side of the business, Adwell generated $143,278 in Q1 revenue (Q1 2021 - $131,443), a quarter to quarter increase of 9%, largely contributed by fee income generated through pay-day loans advanced during the quarter.

Similar to Q1 2021, the Company's digital health revenue remained at a minimum level in Q1 2022, recorded a 5% increase of $103 over last year.

Due to the reduction in size of the wireless business, financing income represented 16% of the combined revenue of the Company in Q1 2021 (Q1 2021 - 13%).

Summary of consolidated quarterly results

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Wireless revenue	332,307	1,069,803	1,359,206	860,692	800,965	1,380,997	1,994,037	749,622
Financing revenue	156,008	142,166	137,437	131,443	136,374	136,982	158,308	143,278
Digital Health revenue	0	0	0	2,285	0	4,095	6,758	2,388
Gross margin	72%	47%	42%	46%	56%	48%	45%	51%
Net income (loss) before income taxes	(80,606)	(50,082)	(389,867)	(197,671)	(205,647)	23,300	(381,951)	(389,076)
Basic and diluted earnings (loss) per share	(0.006)	(0.004)	(0.033)	(0.012)	(0.012)	0.001	(0.036)	(0.032)

On the wireless side of the business, the general trend in annual retail sales in Canada is that Q1 is normally the lowest; sales then gradually increase in Q2 and Q3, and finally peak in Q4.

The Company's Q1 2022 wireless revenue receded from Q4 2021, which is considered normal after the holiday season but more so this year than 2021 as the Province of Ontario was experiencing another wave of the (Omicron) pandemic and the government had implemented restrictive measure in the beginning of the quarter.

Even with the gradual reopening of the Province in the second half of the quarter, it is uncertain how long it will take for businesses to return to pre-Covid level. At time of this MD&A, most restrictions have been lifted at both the provincial and the federal levels and the Company is hopeful that consumer traffic will return to the malls in the coming summer months.

Financing income stayed steady Q1 2022. Financing income is subject to lesser fluctuation than wireless income as interest is accrued on its existing loan portfolio. In response to the potential increase in credit risk posted by Covid-19, Adwell has tightened up its lending policy since last year and is monitoring the quality of its loan portfolio closely.

Results of operations – Wireless business

In Q1, 2022, Rogers' new voice activations and data activations increased by 3% and 15% respectively over Q1 2021. However, customer upgrades recorded a decrease of 19%.

Similarly on the fido side, new voice activations and data activations increased by 67% and 122% respectively over Q1 2021, while and customer upgrades decreased by 13%.

While this shows the industry in general is recovering from the damage caused by the Covid-19 pandemic two years ago, customers are still delaying upgrading to new hardware, perhaps deterred by the economic uncertainty brought on by the new Omicron variant. Also given the more affordable nature of fido's offerings it is not surprising that the recovery would be more prevalent on the fido side.

Combining Rogers and Fido, total new voice and data activations in this quarter were up 43% and 75%, while customer upgrades were down by 19%, as reflected in the Company's various income streams.

Phone hardware sales decreased by 21% as the number of phones sold also decreased by 25%. The cost of Smartphones is much higher now, at more than $1,000 each, and a change in the volume of hardware sales will consequently now have a higher impact on the Company's revenue. The decrease in customer upgrade transactions was therefore the main cause of this phone hardware sales decrease.

New activation commission increased by 90% over the same quarter last year, the result of increases in both the number of transactions and the amount of revenue per transaction. Customer upgrade commission also increased by 34% but is the result of the revenue per transaction amount increase. Residual commissions decreased by 18% over Q1 2021, caused by a decrease in residual earning percentage. No bonus revenue was earned during the quarter as part of the overall compensation structure change.

Rogers and Fido Bank (Mastercard) commissions decreased by 9%, as this is mostly an add-on sale item and had been adversely affected by the decrease in customer traffic and transaction volume. Cable and other commissions, on the other hand, decreased by 66% over Q1 2021, mainly due to the lack of promotion during the quarter.

Although the Covid-19 pandemic negatively impacted the Company's result in 2021 and will likely have the same negative impact in 2022, management is encouraged by the rate of recovery since reopening and remains optimistic that the Company's business will gradually improve in the remainder of 2022.

The arrival of 5G may well change the telecommunication landscape of Canada. 5G networks offer faster downloads, lower latency and better performance on more devices including smart cars, home appliances and remote medical devices as part of what is now called the Internet of Things (IoT). Therefore, major Canadian carriers are all developing their own 5G networks. At the time of this MD&A, Rogers has already rolled out its 5G network in Toronto, Vancouver, Montreal and Ottawa, and other Canadian carriers are expected to follow suit within the year. The Company looks forward to bringing this transformative technology, with its potential to change every aspect of daily lives, to its customers.

Subscriber Base:

March 31, 2022 - 26,249
March 31, 2021 - 25,023
Increase of 1,226 or 5%

This net increase in subscriber base of 1,226 is the result of a year to year decrease in the Rogers subscriber base of 1,024 on one hand, and an increase of the FIDO subscriber base of 2,250 on the other. Due to the consumer nature of the Company's wireless business it is understandable that the growth of subscriber base is more on the affordable brand FIDO.

In order to maintain its subscriber base, the Company must keep adding new customers, while at the same time trying to prevent existing customers from leaving. The key to maintaining the customer base is to give customers good reasons to sign up and stay with Rogers, instead of migrating to the competition. Given this, the keys to maintaining subscriber base now are:

- Bundling – if the entire family is bundled into one plan, which can be shared among all users, the chance of customers leaving is reduced. That is why Add-A-Line and Add-A-Tablet promotions are now front and centre of the Company's marketing strategy.
- Multi products under one household – if a customer has multiple products (e.g. wireless, internet, TV, Smart home monitoring and credit cards) under one roof, the odds of that customer leaving are reduced.
- Multi brand availability– Rogers' third brand, Chatr, is now available in both the Company's Rogers & Fido locations to provide as wide a coverage as possible to prospective customers. The addition of this entry level brand means full coverage over the entire spectrum of customers,

which provides each customer a clear path for upward migration in the future.

It is important to maintain the customer base because the Company receives residual income on the subscriber base every month. This gives the Company a steady flow of income. This was particularly apparent during this year's Covid-19 pandemic, as the Company still received a steady level of residual income while transactional income suffered.

Results of operations – Financing business

In Q1 2022, Adwell's financing income increased by $11,835, or 9% compared to Q1 2021.

	Q1 2022	Q1 2021	+/-	%
Financing income	143,278	131,443	11,835	9%

Adwell's main business continued to be unsecured personal short-term instalment loans to individuals in amounts ranging from $1,000 to $7,500, with 9 to 36-month flexible repayment terms and no early repayment penalties. These loans are made with an average interest rate of 43% per annum. Guarantors are required for these loans and are alternatives to the payday loans, which are usually more expensive and stressful for consumers. With more flexible repayment term and its expertise in customer service, Adwell aims to help reduce customers' stress and rebuild their financial wellness.

Adwell's main income is interest that is generated from these instalment loans. In Q1 2022, Adwell advanced 122 of these personal short-term instalment loans to customers, almost the same as 125 in Q1 2021.

Adwell management continued to adopt a conservative approach to personal lending during this uncertain time as many of these customers work in industries most affected by the economic slowdown brought on by the pandemic, including restaurants, retail shops, hotels and homes for seniors.

Besides unsecured personal loans, Adwell has been expanding its business by adding other loan products into its portfolio, and in Q1 2022 also offered the following types of loans:

- Secured loans - this product is similar to Adwell's existing micro loan offering but is secured by real property. This product particularly targets homeowners who have a stable working income and need short-term financing.
- Syndication loans - these are generally larger mortgage loans that are also secured by real properties. In undertaking such projects, Adwell intends to act as syndication leader and select qualified participants to

invest in the project. This arrangement allows Adwell to enter the mortgage loan market, while spreading its default risk.

- Pay-day loans - this is a loan product offered for customers who have a regular income but could not find guarantor(s) to qualify for Adwell's lower interest personal instalment loan. Pay-day loans are smaller in amount, but generate higher fees, and have become more and more popular in the BC market where Adwell operates. In Q1 2022, Adwell advanced 101 Pay-day loans to customers, compared to 28 in Q1, 2021, a 261% increase.

The table below shows the income and expense breakdown of the Company's financing business in Q1 2022 and Q1 2021:

	Q1 2022	Q1 2021	+/-	%
Interest income	133,080	127,842	5,238	4%
Fee income	10,198	3,601	6,597	183%
Total income	143,278	131,443	11,835	9%
General & administration (including interest cost & provision for loan loss)	108,581	80,447	28,134	35%
Advertising and promotion	0	0	0	n/a
Amortization of property, plant & equipment	629	842	-213	-25%
Income from operations	34,068	50,154	-16,086	-32%

In Q1 2022, Adwell recorded an income from operations of $34,068, a 32% decrease over the same period last year. Although total income actually increased by 9% over this period of time, caused mainly by the increase in Pay-day loan fee income, it was not enough to offset the increase in General & administration expenses, as Government wage subsidy which Adwell benefited from in Q1 2021 was no longer available in Q1, 2022, as well as an increase in the Provision for loan losses in Q1 2022.

Starting in 2020, Adwell decided to calculate its loan loss provision based on actual loan loss experience, instead of the fixed percentage method that it has been using since 2017, which Adwell thinks is prudent, especially in light of the Covid-19 pandemic. Adwell reviews and makes adjustments to this provision on a quarterly basis.

<u>Results of operations – Digital Health business</u>

The new Digital Health business reported a loss from operations of $402,757 for the quarter. A small revenue of $2,388 was reported for the new subsidiary which was still in the process of preparing for a commercial launch.

ATMC's business activities were adversely affected during the first two months of Q1 2022 due to the Omicron outbreak in Hong Kong. In particular, ATMC was unable to continue with its pilot programs at senior homes which had been forced to operate under a 'closed-loop' environment.

The situation has, nevertheless, improved since late March, when the impact of Covid lessened. At time of this MD&A, ATMC has been invited by a number of senior homes, hospitals and tertiary education institutions to set up or continue with pilots, with a view to speeding up on the proof of concept, and completing our soft launch so as to equip their establishments with the much-needed remote monitoring solutions, to enable uninterrupted communication between patients and medical doctors on timely vital data.

From the professional community perspective, ATMC has participated in a number of Continuing Education courses for Medical Doctors during Q1 2022 to promote the use of ATMC's exclusive Dyno remote solution. The response so far has been rather positive from Doctors, in particular for treatment of cardiovascular and psychological cases.

Digital health delivery represents the future of medical care and ATMC is emerging as one of the few pioneers in Hong Kong for serious, professional remote medical care. These pioneers are establishing industry best practices and quality standards for others to follow, making sure patients in Hong Kong receive the best professional care possible.

Realizing that selling Dyno 50 to institutions such as hospitals and old age homes may require a longer selling cycle than originally expected, ATMC is also looking into launching a consumer version of Dyno 50 in the Hong Kong market. Initial contacts have been made to drug stores and consumer electronic outlets to hopefully generate quicker adoption of the Dyno 50 technology in the marketplace and accelerate financial results.

Gross Profit Margin
Q1 2022 – 51%
Q1 2021 – 46%

Gross profit margin for the quarter is 51%, when compared to 46% in the same quarter last year. The increase in margin is attributable to a decrease in hardware sales that resulted from a corresponding decrease in customer upgrade transaction volume in the quarter.

Hardware revenue has continued to impact profit margin in the past few years as the price of hardware keeps increasing. Another factor which affects margin is the Company's BYOD (Bring Your Own Device) mix, as BYOD activations only generate commissions but no hardware revenue. The Company has also been focusing on increasing its non- margin based products such as cable and Mastercard, which again generate commission with no hardware cost. All these components of the Company's revenue mix means the following factors will have a greater impact on profit margin:

- New activation commissions and upgrade commissions that can be changed at short notice depending on carrier priorities and focus.
- Dealer bonus commission used to be a major revenue stream but following a change in dealer compensation structure has become a non-factor.
- Residual commissions are a steady source of income, but it is becoming more and more challenging to maintain customers amid heavy competition and the government's objective of increasing competition in the future.
- Cable commissions and Rogers Mastercard commission are now important revenue sources to make up the loss in wireless commission due to loss of volume.

In short, the Company has to adopt and adjust quickly to the ever changing environment in which it operates, in order to maximize opportunities to generate revenue.

Q1 2022 General and administration expenses - $782,019
Q1 2021 General and administration expenses - $592,917
Increase of $189,102 or 32%

The additional general and administration expenses were incurred by the Company's Digital Health business (ATMC), which was just starting up in Q1 2021.

Q1 2022 Advertisement and promotion expenses - $12,175
Q1 2021 Advertisement and promotion expenses - $8,844
Increase of $3,331 or 38%

The Company has been doing less brand advertising on its own as carriers are now more inclined to centralize branding within their own marketing departments. The Company is very active in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves, and it will continue to advertise and promote in ethnic media channels as appropriate. The Company's advertising and promotion is more tactical in nature and will hopefully yield faster results.

Another tactic the Company has increasingly deployed is the use of promotion bill credits, which dealers can obtain at a discount, to reduce phone prices. This tactic can be very effective in short term "hit & run" type promotions as competitors will have difficulty matching it.

Besides receiving a co-op subsidy from Rogers on advertising and promotion activities, the Company also receives marketing funds from Rogers throughout the year, thus further reducing its overall sales & marketing costs. However, the availability of these funds depends very much on Rogers' budget and the timing of promotions and these reductions may therefore not be repeated in the future.

The Company had very little advertising and promotion activities during Q1 2022.

Q1 2022 Depreciation - right-of-use assets - $44,399
Q1 2021 Depreciation - right-of-use assets - $44,925
Decrease of $526 or 1%

Commencing January 1, 2019, as a result of the Company adopting the International Financial Reporting Standard (IFRS) 16, Leases, certain leases that used to be operating leases are now capitalized as right-of-use-assets, which are depreciated over their respective terms.

Q1 2022 Amortization of property, plant and equipment - $8,153
Q1 2021 Amortization of property, plant and equipment - $7,860
Increase of $293 or 4%

The increase was the result of addition of certain computer equipment during the quarter.

Q1 2022 Amortization of investment properties - $8,973
Q1 2021 Amortization of investment properties - $8,973

Q1 2022 Amortization of intangible assets - $23,071
Q1 2021 Amortization of intangible assets - $25,000

The Company started to amortize the $500,000 paid to Dynosense for the exclusive distributorship right in Hong Kong, which was recorded as intangible assets on the company's financial statements, over its five year period beginning in Q3 of 2020.

Q1 2022 Rental income - $19,871
Q1 2021 Rental income - $23,501
Decrease of $3,630 or 15%

The Company continues to receive rental income from its two investment properties. The tenants were able to maintain their rent payments by taking advantage of government rent subsidy programs during the pandemic.

Q1 2022 Loss before income taxes - ($389,076)
Q1 2021 Loss before income taxes - ($197,671)

Q1 2022 Net loss and comprehensive loss after income taxes - ($243,596)
Q1 2021 Net loss and comprehensive loss after income taxes - ($131,026)

Q1 2022 Net income attributable to non-controlling interests - $10,220
Q1 2021 Net income attributable to non-controlling interests - $15,046

Q1 2022 LPS - (0.032)
Q1 2021 LPS - (0.012)

Liquidity

Cash and cash equivalents & short-term investments as at March 31, 2022 - $12,119,101
Cash and cash equivalents & short-term investments as at March 31, 2021 - $13,678,783
Decrease of $1,559,682 or 11%

Working capital as at March 31, 2022 - $13,507,455
Working capital as at March 31, 2021 - $14,184,071
Decrease of $676,616 or 5%

During the past year, the Company used internally generated funds for the dividend payment, for the ongoing funding of Adwell, and for investing in its new business venture ATMC in Hong Kong. These payments did not have any significant impact on the operating cash flow of the Company.

The Company's liquidity has always been generated from the result of its operations. The Company has no credit facility arrangement with any financial institutions.

Summary of contractual obligations

Wireless business

Number of leases at March 31, 2022 - five (March 31, 2021 - five).

Future minimum operating lease commitments are as follows:

Wireless	
2022 (remaining)	$119,670
2023	$107,409
2024	$0
Total	$227,079

Financing business

Number of lease at March 31, 2022 - one (March 31, 2021 - one)

Adwell's single lease was extended for three more years from November 2021. Its remaining future minimum operating lease commitment is as follows:

Financing	
2022 (remaining)	$19,553
2023	$26,070
2024	$23,898
Total	$69,520

Digital Health business

Number of lease at March 31, 2022 - one (March 31, 2021 - none)

ATMC signed a one year lease for office space in Hong Kong during Q1 2022. Its remaining future minimum operating lease commitment is as follows:

Digital Health	
2022 (remaining)	51,127.65
2023	14,202.12
2024	0.00
Total	$65,330

In sum, total future minimum operating lease commitment of the Company's seven leases as at March 31, 2022 is as follows:

2022 (remaining)	$190,350
2023	$147,681
2024	$23,898
Total	$361,929

Capital resources

The Company has no credit facility arrangement with any financial institutions.

Off balance sheet arrangements

The Company has two investment properties in its portfolio, one each in Ontario and British Columbia.

The Ontario property (Horizon Centre) has been leased since 2009. This commercial condominium unit was originally intended for use as a store for the Company's wireless business, but management later decided that the location was not suitable for selling wireless products. The lease from the last renewal expired on December 31, 2020. Although no further extension was signed upon lease expiry, the tenant has continued to occupy the property on a month to month basis. Both parties agreed to finalize a formal renewal once the pandemic is under control, but had not yet done so at time of this MD&A. The Company has no intention to open a store at that location in the immediate future and will keep the asset as an investment property.

The B.C. property (Aberdeen Square) was also originally intended for the Company's B.C. wireless business, but since that business was sold it was converted into an investment property. This property has two units, both leased with expiry dates of December 15, 2023 and December 31, 2026, respectively.

As at March 31, 2022, the two properties were classified on the unaudited condensed interim consolidated statement of financial position as investment properties. Total rent received was $19,871 in Q1 2022 (Q1 2020 - $23,501). The combined market value of the two remaining investment properties is estimated to be $1,351,765 as at March 31, 2022 (March 31, 2021 - $1,376,952). The rental income on these investment properties has been presented as rental income on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

It is the Company's intention to sell these properties at a reasonable rate of return as and when decided by management.

Transaction with related parties

Salaries and fees paid to the Company's directors and executive officers in Q1 2022 were $233,709 (Q1 2021 - $178,815).

Proposed transactions

The Company's ongoing investment in both Adwell and ATMC continues in Q1 2022.

Outstanding share data

There were 11,935,513 common shares issued and outstanding as at March 31, 2022 (March 31, 2021 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company did not issue any stock options during Q1 2022, and there were no stock options outstanding as at March 31, 2022.

Changes in accounting policies

New accounting pronouncement

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the International Accounting Standards Board issued Classification of Liabilities as Current or Non-current, which amended IAS 1 Presentation of Financial statements. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standards Board issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

IAS 12 Income Taxes (Amendment)

In May 2021, the International Accounting Standards Board issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amended IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

<u>Critical accounting estimates</u>

The preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

<u>Impairment of non-financial assets</u>

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit ("CGU"), the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.

In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the CGU, and would be based on historical experience, economic trends and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

Income taxes

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as un-deducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the condensed interim consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of un-deducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation, will result in adjustments to the expectations of future timing difference reversals, and may require material deferred tax adjustments.

Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is set out below.

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

Gross versus net revenue recognition

The Company follows the guidance set out in IFRS 15, Revenue from Contracts with Customers, in determining the presentation of revenue and cost of sales. The guidance requires the Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction, including inventory and pricing risk.

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted venture issuers from certifying disclosure controls and procedures as well as internal controls over financial reporting as at December 31, 2007, and thereafter. Since the Company is a venture issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2021. The Company makes no assessment relating to the establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at March 31, 2022.

Financial instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q1 2022. The Company has no plans to use any of these in the foreseeable future.

Risk factors

The impact of Covid-19 is being felt by businesses throughout North America and the world. The pandemic has significantly impacted the retail sector in which the Company operates. The Company's management realizes it has now to deal with a broad range of interrelated issues and risks that include a new operating paradigm encompassing the safety of employees and customers, including the redesign of stores to accommodate social distancing requirements, to incorporate contactless transactions and online operations and identifying a myriad of complicated government support programs, while simultaneously preserving cash and liquidity.

Perhaps the most difficult issue for the Company is not being able to identify either the pandemic's duration or what the full impact of the Covid-19 will be on the Company's business model and its customers. Identifying risk factors in this environment, much less developing operating plans to mitigate the risks while maintaining profitability, will be challenging. As a recent Harvard University report titled "The Pandemic Is Rewriting the Rules of Retail," pointed out "Retailers have to make sure their sites are mobile-responsive, offer integrated services such as "buy online pick up in store" (BOPIS), and deliver a consistent, reliable digital experience across devices and channels."

There is no specific guidance available as to what post Covid-19 retail environment might look like as the Canadian economy emerges from the various restrictions that are now in effect. This lack of guidance is reflected in the following quotation from JAMA (Journal of American Medical Association) that illuminates some of the serious obstacles facing Company management's business planning:

Canada remains vulnerable in several areas. Children younger than 12 years are not yet eligible for vaccination and could be a potential source of outbreaks in the fall, and governments have done little to expand relatively limited ICU capacity so far. The next year will see Canada addressing new challenges that will require some difficult government decisions and individual choices, including implementing vaccine mandates, vaccine "passports," and the upcoming campaign to vaccinate children. Canada's significant access to and uptake of vaccines will most likely help lessen the effects of a fourth or subsequent waves of COVID-19, but disparate interprovincial public health policies and limited critical care capacity continue to pose challenges.

The risks inherent in the Company's business planning for the future include:

- Never in Canadian business history have retail stores operated with two-meter distancing regulations and limits on how many customers can enter a store at the same time and implementing end to end contactless transactions. While the COVIDO pandemic seems now to be under control, the discovery of new Omicron variants may trigger yet another pandemic wave. Will customers once again stand in line to enter a retail store? Were this wave to materialize, would it accelerate the transition away from retail stores?

- Given the unemployment that still persists in the Canadian economy and the permanent loss of some jobs, will customers want to spend money on the Company's products?
- 5G was supposed to position Canada as a world leader in the Telecom industry and was part of the Company's plan for generating future revenue streams. How might Rogers, our prime-vendor, reorient its 5G business plans going forward? Especially given the global supply chain driven shortages of high-density chips required for 5G products. The CEO of Intel predicts 5G chip shortages may stretch through 2023. If correct this forecast will have a material impact on the Company's business.
- The shortage of chips and other specialty items in 5G products now face additional shortages due to the Ukraine/Russia war and related business sanctions. The consequences of these developments for the Company's business are difficult if not impossible for Management to predict but bear illumination in this MD&A.
- Will there be additional help for small/medium businesses from the government if the Covid-19 impact, including the effect of variants and breakthrough infections continues in 2022? Will the Federal and Provincial governments continue to assist retail merchants to transition their business to an online-centric business model? Will they offer any assistance at all for disruptions caused by the Ukraine/Russia war?
- Last but not least are the relatively new business threats from the geopolitical fault-lines resulting from the United States/China stand-off, especially the threat from a further contraction in the delivery of advanced computer chips required for devices at the heart of all of the Company's hardware including handsets and remote medical measurement and analysis technologies.

In the face of these multiple business threats due to Covid-19 crisis and the Ukraine/Russia war, the Company will have to act quickly to optimize its resilience, rebalancing for risk and liquidity, while assessing opportunities for growth coming out of the downturn. Immediate action will be needed to address short-term liquidity challenges, but also to generate funding to invest in new opportunities. Management intends to keep in close touch with its service provider, Rogers Communications Inc., to help it quantify these and other risk factors and to become knowledgeable in the best-practices that will surely emerge to help companies survive and grow in the new business environment.

The Company's operating results also are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results, and thus one quarter's operating results are not necessarily indicative of the Company's future performance.

Economic dependence on Rogers is one of the risk factors. The Company is in an industry in which Carriers pay the dealer commissions to bring in new customers and service existing customers. It is also part of an industry in which hardware (mainly wireless handsets) is heavily financed by the Carrier. Phones are sold to consumers with zero upfront payment and dealers are reimbursed through a back-end hardware subsidy from the Carrier. A good example is the Apple iPhone and other Android Smartphones, where the phone may cost dealers as high as $2,000+ each.

For the quarter ended March 31, 2022, approximately 96% (2021 - 96%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 4 (2021 - 4%) was generated through the Company's four retail stores in Ontario.

Account receivable from Rogers was 81% as at March 31, 2022 (84% as at March 31, 2021)

Management has decided that no provision for bad debt is required on Rogers' receivables due to past collection experience and Rogers' good credit quality. This economic dependence on Rogers is going to continue in the future, albeit diminished as a result of the drop in the number of stores, as well as the growing contribution from the Micro Finance and Digital Health businesses.

Canadian wireless companies could face increased competitive pressure because of recent legal changes to foreign ownership of telecommunications companies and control of the wireless licences. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licences or smaller companies that hold such licences. Foreign carriers could also acquire smaller Canadian companies with less than 10% of the spectrum and thereby gain this spectrum and launch fierce competition against Canadian companies such as Rogers.

A new risk factor emerged when the previous federal government decided to further open the Canadian telecommunication services industry to foreign investors by easing foreign ownership rules. Whether and by how much this will change under the ongoing Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A.

Spectrum fees (to cover the government's costs of processing applications and regulating use of the spectrum) may increase with the renewal of cellular and PCS spectrum licences, although the timing of fee increases (if any) is unknown.

The media has continued to publish reports based on studies that claim alleged links between radio frequency emissions from wireless handsets and health issues; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

A continuing risk factor is the increasing competitiveness of Rogers' three main rivals, Bell Canada, TELUS and Shaw, who have their own networks. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Risk factors also include technological change driven by product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment.

Management is aware of new risks beyond those arising from the Covid-19 pandemic and the Ukraine/Russia war that have become evident in the last one to two years. These include the Cloud, which offers new opportunities but also a heightened level of risk. Cyber intrusions from malevolent actors have begun to enter the wireless domain, presenting another spectrum of threats. On the opportunity side, the IoT in which the Internet will be used to get information and to control, for example, household items such as refrigerators, burglar alarms and home climate controls through wireless handsets, will open up additional risks.

Management reviews all these risk factors regularly and discusses strategies to deal with them as they arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Indications are that Rogers is not only aware of this but is continuously innovating to stay ahead of its competition.

Microfinancing business

Credit risk is the risk of loss that arises when a customer fails to pay an amount owing to Adwell. Credit quality of the customer is assessed based on a number of proprietary credit models, and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The linear approval flows l ensure a high-quality loan application process. After evaluating the client's information, Adwell makes a decision on the loan terms for each applicant, these include the maximum loan principal that the applicant may borrow.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans, which guide its lending decisions. As Adwell has grown, management began recording a provision for loan loss on its books beginning in Q1 2017; this now is also based on historical loss experience in line with general industry practice. Adwell has been reviewing and adjusting this provision quarterly since.

Adwell takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of Adwell's merchandise leasing and consumer lending businesses. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on Adwell's financial condition, liquidity and results of operations.

Adwell is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all such requirements. Legislators and regulators have increasingly adopted new privacy information security and data protection laws, which may increase Adwell's cost of compliance. Even though Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may still adversely affect Adwell's reputation and also result in fines or penalties from government authorities.

Digital Health business

The Company is starting up a new business venture (ATMC) outside of Canada and as such the new venture is subject to risk factors such as market availability, supply continuity, and foreign exchange fluctuation. The Company has devoted both financial and human resources into this new venture and has recruited a management team with good local market experience to operate the business. Management is monitoring the progress of this venture closely to determine the extent of resources to put into this venture, and is also obliged to note that the risks from additional sanctions levied by the Canadian and U.S. governments on China could materially impact Company's business in Hong Kong and Macau.